

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 EUR-25 IO-12 ADP-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 CEA-02

DODE-00 H-02 INT-08 L-03 NSC-10 PA-03 SS-15 STR-08

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TO SECSTATE WASHDC 8827

INFO AMEMBASSY KINGSTON

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E. O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: UK DOLLAR AREA QUOTAS

REF: STATE 068896 NOTAL

SUMMARY: PANEL EXPECTS MAKE INTERIM REPORT TO GATT COUNCIL APRIL 30 URGING UK AND US TO CONSULT BILATERALLY AND STATING THAT IF UK- US FAIL TO FIND SATISFACTORY SOLUTION WITHIN ONE MONTH, PANEL WILL SUBMIT ITS OWN RECOMMENDATION ON MATTER. DRAFT OF PANEL RECOMMENDATION INCLUDING THREE POSSIBLE ALTERNATIVES GIVEN TO US AND UK (AND TO CARIBBEAN) REPS IN HOPES OF FACILITATING BILATERAL SOLUTION. ACTION REQUESTED: (A) WASHINGTON SUBSTANTIVE COMMENTS ON THREE ALTERNATIVES, (B) CONFIRMATION US READY RESUME BILATERAL DISCUSSION WITH UK AT ANY TIME, AND (C) CONFIRMATION US PREFERS DO SO IN GENEVA BUT WILLING ACCEPT LONDON IF HMG STRONGLY PREFERS LATTER. END SUMMARY.

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1. PANEL MET APRIL 12 AMONG SELVES AND WITH US AND THEN WITH US AND UK REPS TO DISCUSS THEIR INTENTION ISSUE AN INTERIM REPORT. PANEL ALSO GAVE US TEXT OF THREE POSSIBLE ALTERNATIVE SOLUTIONS WHICH THEY HOPED WOULD ENABLE UK AND US TO RESOLVE MATTER BILATERALLY. TEXT BEING SENT SEPTEL. OPENING SENTENCE THEREOF ESPECIALLY IMPORTANT AS IT INDICATES PANEL THINKING OF A FORMAL FINDING DAQS ARE ILLEGAL BUT SUGGESTING THERE MAY BE WAYS TO AVOID DAMAGE TO CARIBBEAN WHEN DAQS REMOVED.

2. TIMELY RECEIPT OF REFTEL (BASED ON ADVANCE WORD PANEL THINKING OF A SOLUTION BASED ON TARIFF QUOTAS) ENABLED US REP (MILLER) TO DEMONSTRATE NOT ONLY US READINESS TO REACT PROMPTLY TO ANY PROPOSED SOLUTION BUT ALSO US WILLINGNESS TO CONSIDER A SOLUTION WHICH WOULD PERMIT UK TO PROTECT CURRENT LEVELS OF CARIBBEAN TRADE WITH UK BUT PUT US ON EQUAL FOOTING WITH PRINCIPAL SUPPLIERS LIKE ISRAEL AND SOUTH AFRICA.

3. PANEL INFORMED US IT FAVORS AN INTERIM REPORT TO GATT COUNCIL APRIL 30 URGING UK- US TO SEEK MUTUALLY SATISFACTORY SOLUTION WITHIN TWO RPT TWO MONTHS, FAILING WHICH PANEL WOULD RULE ON MATTER. WE SAID NEED FOR INTERIM REPORT NOT EVIDENT AND IN ANY EVENT TWO MONTH DELAY AFTER APRIL 30 TOO SLOW. UK REP ON OTHER HAND FAVORED AN INTERIM REPORT AND FELT TWO MONTHS VERY SHORT. COMPROMISE ON THIS PROCEDURAL ISSUE WAS AN UNDERSTANDING US AND UK REPS WOULD ADVISE THEIR AUTHORITIES PANEL WANTS THEM TO RESUME BILATERAL DISCUSSION ASAP, THAT THIS RECOMMENDATION WILL BE BROUGHT TO ATTENTION OF GATT COUNCIL APRIL 30 AND PANEL WILL MAKE ITS OWN RECOMMENDATIONS IF UK/ US FAIL TO RESOLVE MATTER IN ONE RPT ONE MONTH FROM APRIL 30 COUNCIL (DE FACTO 6 WEEKS FROM NOW). WE MADE IT CRYSTAL CLEAR TO UK AND PANEL THAT US WOULD NOT RPT NOT NEGOTIATE WITH CARIBBEANS ON THIS MATTER; OUR DISPUTE IS WITH UK NOT CARIBBEAN; WE HAVE NO OJBECTION TO UK OR PANEL CONSULTING CARIBBEAN ABOUT ALTERNATIVE SOLUTIONS BUT WE WOULD ACCEPT PANEL RECOMMENDATION FOR RESUMPTION OF US- UK BILATERAL ON UNDERSTANDING IT WOULD BE BILATERAL.

4. WE ALSO URGED PANEL TO BEGIN LOOKING AT ASSESSMENT OF DAMAGE TO US TRADE IN EVENT COMPENSATORY WITHDRAWALS BECOME THE ONLY REALISTIC ALTERNATIVE. PANEL AGREED TO INCLUDE SOME REFERENCE TO THIS IN ITS INTERIM REPORT TO COUNCIL.

5. DISCUSSION OF THREE ALTERNATIVES TOOK PLACE ON PURELY PERSONAL LIMITED OFFICIAL USE

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BASIS SINCE UK HAD NO INSTRUCTIONS ON ANY ALTERNATIVE AND US HAD

ONLY A PRELIMINARY VIEW ON TARIFF QUOTAS. ON ALTERNATIVE I, IT APPEARED UNLIKELY UK HAD POWER TO DO THIS EVEN IF WILLING SINCE UK WILL MAKE FIRST 40 PERCENT MOVE JANUARY 1, 1974 TOWARD EC CXT OF 15 PERCENT AND 19 PERCENT (PLUS SUGAR ADDED LEVY) ON SINGLE STRENGTH ORANGE AND GRAPEFRUIT JUICE AND TARIFF QUOTAS COULD INVOLVE

EC

COMMISSION AND MEMBER STATES. (PANEL CHAIRMAN AND MEMBERS THREW UP THEIR HANDS WHEN THIS WAS BROUGHT OUT AND COMMENTED THAT RETALIATORY WITHDRAWALS MAY BE THE ONLY SOLUTION). ON ALTERNATIVE II, US COMMENTED THIS WOULD SET A CEILING ON TOTAL UK IMPORTS OF PRODUCTS INVOLVED AND THEREFORE MUCH LESS ATTRACTIVE TO US AS POTENTIAL SOLUTION. ALTERNATIVE III INTENT IS TO REQUIRE UK IMPORTERS TO TAKE CARIBBEAN CITRUS IN PRESENT QUANTITIES PLUS A GROWTH FACTOR; DETAILS DELIBERATELY LEFT VAGUE BY PANEL PENDING REACTIONS OF UK AND US TO BASIC IDEA PLUS INFO AS TO PRACTICAL AND LEGAL POSSIBILITIES FOR UK. DISCUSSION INDICATED SOME DIFFERENCES OF VIEW WITHIN PANEL ABOUT WHETHER ALTERNATIVE III WOULD REQUIRE A GATT WAIVER.

6. COMMENT: DESPITE ENCOURAGING OPENING SENTENCE OF PANEL' S DRAFT RECOMMENDATION (SEPT), WE HAVE DISTINCT IMPRESSION PANEL IS SHYING AWAY FROM A CLEAR LEGAL RULING. (HINTS DROPPED BY SEVERAL PANEL MEMBERS INDICATE THEY FEAR CARIBBEANS MIGHT PROVOKE A VOTE ON LDC CONTENTION GATT PART IV OVERRIDES ARTICLE I.) THAT IS WHY THEY WANT US AND UK TO RESUME BILATERAL EFFORT TO FIND A SOLUTION. SEE ACTION REQUESTS IN SUMMARY PARAGRAPH ABOVE. RIMESTAD

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